

Message Text

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ACTION ARA-14

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FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC PRIORITY 6187

C O N F I D E N T I A L SECTION 1 OF 2 MONTEVIDEO 1142

E.O. 11652: GDS
TAGS: EFIN, SHUM, PORG, UY
SUBJ: U.S. STRATEGY ON IFI LOANS TO UTE POWER PROJECT

REF: STATE 077922

1. SUMMARY: WE NEED A COMPREHENSIVE STRATEGY FOR DEALING WITH UPCOMING URUGUAYAN LOANS IN THE IBRD AND IDB WHICH ENABLES US TO BREAK THE CHAIN OF UNSUCCESSFUL USG NO VOTES IN THE BANKS AGAINST LOANS FOR SERIOUS HUMAN RIGHTS VIOLATORS. THIS MESSAGE EXAMINES THE TACTICAL OPTIONS AVAILABLE TO US TO ACCOMPLISH THIS AND EFFECTIVELY IMPLEMENT PRESIDENTIAL DIRECTIVE 30 ON HUMAN RIGHTS. IT RECOMMENDS AGAINST A DIRECT APPEAL TO THE GOU TO HOLD THE LOANS IN ABEYANCE UNTIL THERE IS IMPROVEMENT IN HUMAN RIGHTS PERFORMANCE SUFFICIENT TO PERMIT US TO WITHDRAW OUR OPPOSITION, AS RECOMMENDED REFTEL. THIS TACTIC WAS TRIED WITH A LOAN LAST OCTOBER AND NOT ONLY FAILED BUT WAS COUNTERPRODUCTIVE--THE GOU ACCELERATED ITS APPLICATION AND FORMALLY REJECTED OUR APPEAL CONFIDENT THAT IT HAD THE VOTES TO WIN. SINCE WE HAVE ALREADY CENSURED URUGUAY BY VOTING AGAINST A LOAN APPLICATION LAST YEAR, INFORMING THEM THAT WE WILL DO SO AGAIN IS NOT LIKELY TO CONVINCE THEM TO DELAY CONSIDERATION OF THE LOAN OR TO IMPROVE HUMAN RIGHTS PERFORMANCE UNLESS WE HAVE THE VOTES IN HAND

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TO MAKE OUR POSITION CREDIBLE, THE EMBASSY, THEREFORE, RECOMMENDS A COMPREHENSIVE STRATEGY THAT BEGINS WITH OUR EMPLOYING DELAYING TACTICS WITHIN THE BANKS TO BUY TIME FOR IMPROVEMENTS TO TAKE PLACE. IF THIS TIME RUNS OUT AND IMPROVEMENTS ARE NOT IN SIGHT WE FALL BACK ON THE TACTIC OF AN ALL OUT LOBBYING CAMPAIGN TO GARNER SUPPORT FOR OUR OPPOSITION TO THE LOANS, EMPLOYING THE SUB-TACTIC OF A DIRECT APPROACH

TO THE GOU IF WE MUSTER MAJORITY SUPPORT. FINALLY, IF THESE OPTIONS ARE EXHAUSTED AND WE HAVE NOT SUCCEEDED, WE VOTE AGAINST THE LOAN. END SUMMARY.

2. I APPRECIATE THE DEPARTMENT SHARING WITH US ITS THINKING CONCERNING U.S. STRATEGY FOR DEALING WITH UPCOMING UTE POWER PROJECT LOANS IN IBRD AND IDB. I AGREE THAT A MORE COMPREHENSIVE STRATEGY IS NEEDED TO ENABLE US TO BREAK THE CHAIN OF UNSUCCESSFUL NO VOTES BY THE USG IN IFI'S. IF WE CANNOT DEMONSTRATE GREATER EFFECTIVENESS IN BLOCKING IFI LOANS TO SERIOUS HUMAN RIGHTS VIOLATORS SUCH AS URUGUAY, GROWING CONGRESSIONAL AND PUBLIC FRISTRACTION WITH OUR INABILITY TO DO SO UNDOUBTEDLY WILL LEAD IN CUTS IN IFI APPROPRIATIONS OR MORE SEVERE RESTRICTIONS ON THEIR USE.

3. PRESIDENTIAL DIRECTIVE 30 ON HUMAN RIGHTS DIRECTS US TO UTILIZE MOST EFFECTIVELY BOTH OUR VOICE AND VOTE; TO UNDERSTAND AND ATTEMPT TO INFLUENCE THE BANKS' ACTIONS EARLY IN THE LOAN PROCESS; AND, TO ENGAGE THE SUPPORT OF OTHER NATIONS AND MILTILATERAL ORGANIZATIONS. IN DOING SO, HOWEVER, WE ARE INSTRUCTED "NOT TO UNDERMINE THE ESSENTIAL U.S. INTEREST IN PRESERVING THESE INSTITUTIONS AS EFFECTIVE ECONOMIC INSTRUMENTS." I READ THAT TO MEAN THAT WE ARE TO WORK VIGOROUSLY AND EFFECTIVELY TO USE OUR POLITICAL INFLUENCE WITHIN THE BANKS WITHOUT "POLITICIZING" THEM;

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A DIFFICULT, MAYBE IMPOSSIBLE, TASK.

4. THE FOLLOWING ARE THE TACTICAL OPTIONS WHICH WE SEE AVAILABLE TO US TO IMPLEMENT THIS POLICY AND OUR COMMENTS ON EACH:

A. BY FAR THE MOST PREFERABLE TACTIC WOULD BE TO GET THE GOU TO HOLD THE UTE LOANS IN ABEYANCE UNTIL THERE IS IMPROVEMENT IN HUMAN RIGHTS PERFORMANCE SUFFICIENT TO PERMIT US TO WITHDRAW OUR OPPOSITION, AS RECOMMENDED IN REFTEL. UNFORTUNATELY, OUR PREVIOUS ATTEMPT AT THIS FAILED COMPLETELY, AND MAY EVEN HAVE BEEN COUNTERPRODUCTIVE. OUR APPROACH TO THE GOU LAST OCTOBER TO DELAY THE PASO SEVERINO WATER SUPPLY PROJECT OR FACE A USG NEGATIVE VOTE RESULTED IN A VISIBLE ACCELERATION OF THE PROJECT SUBMISSION, FORCING A DECEMBER VOTE IN WHICH WE WERE ALONE IN OPPOSING. IN ADDITION, WE ELICITED A FORMAL GOU PROTEST WHICH SAID OUR REQUEST TO DELAY CONSTITUTED "A FLAGRANT VIOLATION OF THE PRINCIPLES OF NON-INTERVENTION IN THE DOMESTIC AFFAIRS OF ANOTHER STATE..... AND IS STRONGLY REJECTED....CONSEQUENTLY THE GOU SHALL NOT WITHDRAW THE APPLICATION...." WE ARE CONVINCED THAT REPITITION OF THIS TACTIC IN THE UTE CASE WILL PRODUCE EQUALLY DISMAL RE-

SULTS REGARDLESS OF WHETHER MADE HERE OR IN WASHINGTON. IF ANYTHING, THE GOU'S VICTORY IN THE LAST VOTE, WILL HAVE STRENGTHENED ITS DETERMINATION TO AGAIN STRONGLY REJECT OUR APPEAL AND PROCEED FORTHWITH WITH ITS APPLICATIONS, CONFIDENT THAT IT HAS THE VOTES TO WIN. IT IS FOLLY TO THINK THAT BY INFORMING THE GOU OF OUR OPPOSITION WE WILL BE BRINGING ANY POSITIVE INFLUENCE TO BEAR ON THEM TO IMPROVE THEIR HUMAN RIGHTS PERFORMANCE, PARTICULARLY IF IT IS OPPOSITION WHICH THEY REGARD AS INEFFECTIVE. THE CASE FOR GOING TO THEM ONLY HAS MERIT

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C O N F I D E N T I A L SECTION 2 OF 2 MONTEVIDEO 1142

IF WE HAVE THE VOTES TO BLOCK, WHICH I NOTE BELOW IN OPTION C. PERHAPS AN EARLY WARNING MIGHT HAVE SOME EFFECT ON A COUNTRY WHICH WE HAVE NOT YET VOTED AGAINST IN AN IFI CASE. BUT ONCE WE HAVE CENSURED A COUNTRY, AS WE HAVE URUGUAY, AS A GROSS VIOLATOR THERE IS NO STING LEFT TO THREATENING ANOTHER NO VOTE.

B. A SECOND TACTICAL OPTION WOULD BE TO EMPLOY DELAYING TACTICS WITHIN THE BANKS DESIGNED TO BUY AS MUCH TIME AS POSSIBLE TO ALLOW FOR IMPROVEMENTS IN THE HUMAN RIGHTS SITUATION, WHICH MIGHT PERMIT US TO EITHER ABSTAIN OR VOTE YES. PARA 7 REFTEL INDICATES THAT SUCH A STRATEGY "BASED ON TECHNICAL CONSIDERATION" IS BEING CONSIDERED. WE URGE THE DEPARTMENT TO CONTINUE PLACE WHATEVER "TECHNICAL" AND OTHER OBSTACLES IT CAN IN THE PATCH OF THESE LOANS AS THEY PROCEED THROUGH THE BANKS. WE ALREADY HAVE A COMPLAINT FROM CARLOS SCHROEDER, URUGUAYAN EXECUTIVE DIRECTOR AT THE IDB, THAT U.S. DIRECTOR DUNGAN IS RAISING TECHNICALLY "INAPPROPRIATE" MATTERS CONCERNING THE UTE LOAN (E.G. QUESTIONING A PRESS RELEASE ON THEM). WE WERE UNSYMPATHETIC TO HIS EXPRESSED PERSONAL AND OFFICIAL "IRRITATION" AT THIS. WE WOULD KEEP IT UP; A LITTLE, OR EVEN A LOT OF

URUGUAYAN IRRITATION ON THIS SCORE IS FAR PREFERABLE TO
THE ALTERNATIVE OF OUR BEING FORCED TO CAST AN UNSUCCESSFUL
NO VOTE. EVEN IF THE HOPED FOR IMPROVEMENTS IN HUMAN RIGHTS
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PERFORMANCE ARE NOT FORTHCOMING, WE WILL HAVE SPREAD A LOT
OF UNCERTAINTY AMONG OTHERS ABOUT THE WISDOM OF SUPPORTING
URUGUAY AND THEREBY ENDANGERING CONTINUING USG SUPPORT FOR THE
BANKS. WE ALSO WILL HAVE BOUGHT TIME WHICH CAN BE USED TO
WORK ON THE MODERATES AND SUPPORTERS OF OUR HUMAN RIGHTS
POLICIES.

C. A THIRD OPTION, IS AN ALL OUT LOBBYING CAMPAIGN WITHIN
THE BANKS TO GARNER SUPPORT FOR OUR POSITION. WE VIEW THIS
AS A FALLBACK POSITION IF THE TIME BOUGHT BY OPTION B BEGINS
TO RUN OUT AND IMPROVEMENTS ARE NOT IN SIGHT. ALTHOUGH THE
ARGUMENTS CITED IN PARA 3 REFTEL WOULD BE COUNTERPRODUCTIVE
WITH THE GOU, THEY MAY BE EFFECTIVE WITH GOVERNMENTS
SUPPORTIVE OF HUMAN RIGHTS, MODERATES CONCERNED ABOUT
"POLITICIZATION" AND RECIPIENTS CONCERNED ABOUT THE FUTURE
AVAILABILITY OF USG FUNDS FOR THEIR LOANS. MOREOVER, IF WE
CAN PUT TOGETHER A MAJORITY OF VOTES, WE THEN HAVE A SUB-
OPTION OF APPROACHING THE GOU AND FACING IT WITH CERTAIN
DEFEAT, THEREBY FORCING IT TO CONSIDER HOLDING ITS APPLICA-
TIONS IN ABEYANCE. AS ALREADY NOTED, IF WE ARE ABLE TO
ORGANIZE A BLOCKING COALITION WE WOULD BE IN A STRONGER
POSITION TO CONVINCE THE GOU TO EITHER WITHDRAW OR DELAY
THE LOAN.

D. OUR FINAL OPTION IS THE ALWAYS AVAILABLE "NO VOTE."
IF ALL OTHER OPTIONS ARE EXHAUSTED, WE WILL HAVE NO RECOURSE
BUT TO VOTE NO -- EVEN IF OUR VOTE HAS NO EFFECT IN DECIDING
THE FATE OF THE LOAN. THOUGH WE MAY FAIL TO BLOCK THE LOAN,
WE WILL HAVE DEMONSTRATED TO OTHER BANK MEMBERS, OUR
PUBLIC AND THE CONGRESS, THAT WE WILL USE OUR "VOTE" TO
DEMONSTRATE OUR NON-SUPPORT FOR LOANS TO FLAGRANT HUMAN
RIGHTS VIOLATORS.

5. ACTION RECOMMENDED. I REJECT OPTION A AS A PROVEN
NON-STARTER. I RECOMMEND INSTEAD A COMPREHENSIVE
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STRATEGY THAT BEGINS WITH OUR EMPLOYING TACTIC B, FALLING
BACK TO TACTIC C, EMPLOYING THE SUB-TACTIC OF A DIRECT
APPROACH TO THE GOU IF WE GARNER A MAJORITY. AND FINALLY,
RESORTING TO TACTIC D IF ALL ELSE FAILS. MEANWHILE, I WILL
CONTINUE INFORMAL ONGOING APPROACHES HERE TO SELECTED HIGH-
LEVEL CIVILIAN AND MILITARY OFFICIALS TO CONVINCE THEM OF

OUR DETERMINATION TO OPPOSE GOU APPLICATIONS ABSENT SIGNIFICANT HUMAN RIGHTS IMPROVEMENTS. IN THE PROCESS I WILL TRY TO GET KEY LEADERS IN THE GOU TO CONSIDER THE BROADER NEGATIVE IMPLICATIONS OF PERSISTING IN PRESSING THESE APPLICATIONS. ONE FINAL NOTE, ALTHOUGH THIS COMPREHENSIVE STRATEGY IS DESIGNED SPECIFICALLY TO DEAL WITH THE UTE LOANS, I BELIEVE IT SHOULD BE FOLLOWED IN THE FUTURE WITH REGARD TO OTHER GOU LOANS WHICH MAY COME UP IN THE BANKS, UNTIL THERE IS IMPROVEMENT IN THE HUMAN RIGHTS SITUATION HERE SUFFICIENT TO WARRANT RECONSIDERATION OF OUR BASIC POSITION.

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